

Chapter III BUDGET FORMULATION
Section 3 The OMB Process

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Chapter III BUDGET FORMULATION

Section 3 The OMB Process

This section provides guidance that operating units need to prepare their budget submissions to the Office of Management and Budget (OMB). The contents of this chapter supplement the detailed instructions in OMB Circular A-11, "Preparation and Submission of Budget Estimates." "The OMB Process" (section 3) follows "The Secretarial Budget" (section 2) and leads into "The President's Budget" (section 4), which contains instructions for revising the OMB submission and for assembling the materials that comprise the President's budget.

This section contains detailed instructions for completing the exhibits comprising the OMB budget, as well as samples of properly completed exhibits. These exhibits are essentially the same as those prepared under the Secretarial budget process. The use of consistent formats and budget formulation processes facilitates analysis and review of bureau (and the Department's) budget requests.

This section of the Handbook also describes the processes that follow OMB's receipt of the initial submissions and contains related guidance. It describes the Department's appeals process; provides guidance for preparing amendments and for preparing appeals to OMB's initial passback; and explains the process by which the Department transmits OMB's final decisions.

A. General Instructions for the Initial Submission to OMB

Due Dates - The Department's initial budget submission is due to OMB in September. Operating units submit their draft justifications and exhibits to the Office of Budget ten working days before the due date; they submit their complete initial submissions to the Office of Budget two working days before the due date.

Basis - 31 U.S.C. 1104(e) requires each agency to provide budget information to the President pursuant to OMB regulations. Section 1108 of the same chapter provides general guidance on the preparation of appropriations requests to the President. These statutory requirements are the basis for the requirements contained in Circular A-11. The Department and the Commerce Branch at OMB have developed other specific requirements.

Contents of the Initial Submission - The Department's initial budget submission to OMB consists of 1) budget justifications and exhibits; and 2) "other materials" that OMB defines separately in Circular A-11.

Justifications, Exhibits, and Backup Exhibits - An operating unit's justifications and exhibits for the initial OMB submission consist of the justifications and exhibits that the operating unit prepared for the Secretarial submission, revised to reflect the Secretary's final allowance.

Other Materials - Operating unit staffs should consult Circular A-11, Section 25.5, for a complete list of the "other materials" that are part of the initial budget submission to OMB. "Other materials" consist of narratives and exhibits of various types that do not derive directly from an operating unit's budget submission to the Secretary.

Quantities to Submit - Operating units send three copies of their draft justifications and exhibits to the Office of Budget by the due date described in subsection A.1. Next they send 30 copies of their completed initial submissions -- justifications, exhibits, and other materials -- and four copies of their "backup" exhibits to the Office of Budget. The Department sends to OMB the operating units' initial submissions, a letter from the Secretary to the OMB Director, and summary tables that the Office of Budget prepares.

B. Other Authorities and Approvals Required

1. Office of the Secretary Components - Various Office of the Secretary components, aside from the Office of Budget, oversee the preparation of the other materials included in the initial budget submission to OMB. Narratives and exhibits that operating units prepare to satisfy OMB's other materials reporting requirements must conform to the guidance that the Office of the Secretary components provide. Exhibit III(3) Table A, at the end of this section, shows the materials required, the A-11 section referenced, and the office responsible. Bureaus will submit their completed other materials to the responsible offices for their transmittal to OMB. Bureaus should send a courtesy copy to the Office of Budget.
2. Coordination with Outside Agencies - Circular A-11, Section 33.27-30, defines a number of proposals, by subject, that departments and agencies must coordinate with other government agencies before submitting them to OMB, through the Office of Budget. Operating units should consult Circular A-11 for specific instructions about how to demonstrate compliance with this requirement. The list of subjects that require coordination with other government agencies, and the names of the appropriate agencies, is as follows:
 - o Tax expenditures -- the Office of Tax Analysis, Department of the Treasury.
 - o Public works in the National Capital Area -- the National Capital Planning Commission.
 - o Public works in the District of Columbia -- the Commission of Fine Arts.
 - o Construction of nuclear reactors -- the Department of Energy.
 - o Radio spectrum-dependent communications-electronics systems.

3. Office of Budget and OMB - OMB requires departments and agencies to obtain approvals before deviating from the submission requirements that Circular A-11 contains. To the extent possible, operating units should request exceptions to OMB's submission requirements as part of their Secretarial submission, and consistent with the deadlines described below (the Office of Budget will coordinate all requests for OMB approval of an exception to its submission requirements):
 - o Exceptions to the provisions of Circular A-11 must be submitted to OMB by August 1. Approved exceptions are valid only for the year in which they are granted.
 - o Specialized requirements for presentation of program proposals, justification materials and exhibits not provided for by Circular A-11, before the initial materials are sent.
 - o Changes in the format of justification materials, activity/subactivity structure, classification and functional codes, in advance of the initial submission.
 - o Changes in budget structure (i.e., establishing, merging or changing the sequence of accounts) by October 1st (eleven months prior to the submission).

C. OMB Review Process - After the budget justifications are received by OMB, the Commerce Branch at OMB conducts hearings with Departmental officials in order to provide an opportunity to obtain a better understanding of policies, programs and problems connected with the budget submission. The Office of Budget prepares a schedule for such hearings after consultation with OMB staff and the Departmental and operating unit officials requested to appear at the hearings.

OMB does not have a set format for the conduct of its hearings. Written questions likely to be asked are provided by OMB, usually three days prior to the hearing. Hearings are usually held at OMB (New Executive Office Building, 17th Street and Pennsylvania Ave., N.W.) Formal hearings are usually limited to broad program areas and call for the attendance of program managers and their key assistants. Informal hearings are often held by individual examiners on specific programs, issues, or projects. Office of Budget staff are responsible for arranging all formal and informal hearings and attend each hearing.

D. Amendments to the OMB Request - It is sometimes necessary to substantively amend the Department's submission to OMB. Such changes may result from Congressional action (either substantive changes in authorizing legislation or current year appropriation action), pay raise costs, changes in retirement participation assumptions, or any other matter which was not known at the time the request was submitted to OMB but substantively changes the resource requirements included in the initial OMB request.

Since these amendments are prepared prior to the completion of the President's budget request to Congress, the procedures for preparation of budget amendments and supplementals outlined in Section 5 of this Chapter of the Handbook and in Section 110 of OMB Circular A-11 do not apply.

When amendments are needed which change requirements for a number of operating units, the Office of Budget sends guidance on procedures and formats for preparing amendments. The required formats will include revisions to a number of consolidated exhibits (i.e., object class, outyear bridge and outlay tables) as well as exhibits at the subactivity level, where appropriate. The Office of Budget consolidates all submissions from operating units and forwards a single amendment package to OMB.

If an operating unit believes it should substantively revise its request to OMB, but has not received guidance from the Office of Budget, the operating unit budget officer should discuss the matter with the Office of Budget analyst and then, if appropriate, prepare amendment materials per guidance received from the Office of Budget.

E. OMB Initial Allowance (Passback)

The OMB "passback" takes place in late November or early December. The nature of the Federal budget process and the necessity for OMB to coordinate all budget requests from Federal agencies make it difficult, if not impossible, to predict when passback will occur. The Office of Budget maintains constant communication with OMB as it moves toward releasing initial decisions. The Office of Budget usually learns of the scheduled passback date and time at least 24 hours in advance. The schedule immediately after passback is very compressed. The Department must submit all appeals to OMB within 72 hours of passback and it is assumed that appropriate policy officials will be available to assist Department and operating unit staff in reviewing the passback decisions and preparing any appeals. The usual procedures for passback are as follows:

- o The OMB Director or Deputy Director personally communicates the summary figures directly to the Secretary along with broad guidelines set by the President.
- o Department level staff go to OMB at the designated time to receive passback materials from examining staff. OMB staff provides the allowances, including summary and detail tables, the rationale for the decisions and an indication of what latitude exists for distribution or redistribution of the allowances. The material usually includes control tables, written guidance, and (sometimes) a marked up Departmental ranking table. The detailed material frequently is different from the summary control tables. The budget must agree, however, with the control tables by bureau until OMB changes the control tables.

- o The Office of Budget advises designated budget officers of the allowances and the rationale OMB used to support their decisions. Copies of all materials from OMB are provided to budget officers. Operating units then must decide what, if any, items they wish to appeal to OMB.

F. Appeals to OMB

Budget officers of each operating unit communicate the information received from the Office of Budget to program managers. Appeals are submitted, in writing, to the Office of Budget. The Office of Budget may issue appeal formats. Each appeal item should be limited to one page. Generally, appeal documents begin with a table which includes at least the following information, by subactivity:

- o the total obligations, budget authority, outlays and FTE included in the request to OMB;
- o the amounts and FTE included in the passback; and
- o the amounts and FTE appealed.

Figures for the current year, budget year and the following year (budget year +1) are included on all materials.

All materials are sent per the schedule communicated by the Office of Budget.

The Office of Budget reviews all appeal documents and conducts briefings for the Chief Financial Officer/Assistant Secretary (hereafter, "Assistant Secretary") for Administration and the Deputy Secretary. The Deputy Secretary decides on the appeals to submit to OMB and the Office of Budget prepares the OMB appeal letter and attachments. Most appeal items are resolved at the OMB policy level within a matter of days. Outstanding issues may, at the discretion of the Secretary, be appealed beyond OMB. These very select appeals may be presented to a Budget Review Board composed of the Director of OMB and White House officials. In rare cases, appeals may be presented to the President. Because of the short turnaround times, all resources of the Department must be available to support the Secretary and Deputy Secretary in these cases.

G. Final Presidential Decisions

The Office of Budget communicates the results of all appeal decisions to the budget officer of each operating unit as soon as information is available. Budget officers are then responsible for preparing, with the assistance of the Office of Budget, all materials required for the Congressional justifications, the Budget Appendix, and OMB's MAX System.

The other materials mentioned in Section B.2 above (also see Exhibit III(3) Table A) are updated to reflect final budget decisions.

The following portion of this section provides detailed guidance on preparing the required exhibits.

H. OMB Submission Materials

- a. **Table of Contents (Exhibit 1)** The table of contents is for the justification material. The materials are organized as displayed with separate sections for summary material, appropriation account material, and operating unit materials. Appropriation account material is shown separately by account. In the table of contents, subactivities are grouped by activity and page numbers are shown for each.

This exhibit, and all exhibits, should be labeled with the exhibit number in the upper right hand corner of the page.

- b. **Organization Chart (Exhibit 2)** This exhibit reflects the approved organizational structure at the time of the submission. If a change is proposed, two charts are required to show the current organization chart and the proposed structure.
- c. **Executive Summary (Exhibit 3)** This exhibit provides the Bureau with an opportunity to summarize their budget request in terms of Bureau priorities, Secretarial guidance and priorities, and Administration priorities. The summary includes the following headings: 1) General Statement; 2) Goals of the Program; 3) Statement of Objectives; 3) Summary of Proposed Changes. Bureaus must discuss their budget request in terms of the Department's Strategic Plan.
- d. **Performance Goals and Measures (Exhibit 3A)** This exhibit is the primary location where most information related to the integration of budget performance is provided. The exhibit provides a summary of the Bureau's performance goals, associated measures, targets and resources available to the Bureau to achieve its stated goals and measures. Bureaus should show a ten year target history: the four prior years, the current year, the budget year and four outyears. Actual funding data are also displayed for all available fiscal years. The dollar figures represent obligations by performance goal. Funding amounts within each performance goal are further broken down by the Bureau's program accounts and activities as cited in the Budget in Brief. Information technology (IT) funding amounts and FTE amounts are also displayed for each performance goal.

The exhibit should include the following information for each performance goal: Corresponding Strategic Goal, Rationale of Performance Goal, Program Increases that apply to the performance goal, Program Evaluations, Cross-cutting Activities, External Factors and Mitigation Strategies and Explanations of each measure.

Corresponding Strategic Goal: The strategic plan sets forth the general goals of the agency, and describes the relationship between these goals and the performance goals. The strategic goal that corresponds to the described performance goals should be stated here.

Rationale of Performance Goal: A basis or reason for the performance goal must be stated here. If a new goal is added a discussion that provides some context for the new goal is needed.

Program Increases that apply to this performance goal: INSERT LIST AND AMOUNT OF THE INCREASES THAT APPLY TO THE RESPECTIVE PERFORMANCE GOAL.

Program Evaluations [RELATED TO THIS GOAL]: Include a summary of the findings and recommendations of the program evaluations completed pertaining to the performance. Program evaluations may cover assessments of the manner and extent to which programs achieve intended objectives, assessments of program implementation policies, practices and processes, or summarized findings and recommendations from other analyses or studies completed during the previous fiscal year. It should also be noted if no evaluations were completed and why.

Cross-Cutting Activities: This area should identify those programs or activities that are being undertaken with other agencies to achieve a common purpose related to this performance goal.

External Factors and Mitigation Strategies: Each factor should be described in this area, indicating how achievement of the goal could be directly and significantly affected by the factor. Strategies to overcome these factors should be included in this area.

Explanation of Each Measure: Discuss any changes to the 20BY targets. Reasons for changes must be explained thoroughly and have a sound basis. [i.e. impact of 20FY final budget or impact of 20FY performance discussed in the above section] Please provide the basis or reason for setting the 20BY target. A discussion that provides some context for the new target is needed. If this is a new performance measure, in addition to the 20FY target please provide the appropriate reason for setting the target as cited above for 20FY target. If this is a new performance measure and it is cited that the target was set based on "historical performance" please provide the historical data for the previous fiscal years.

- e. **Priority Ranking of Program Changes (Exhibit 4)** Listed, in priority order, are program increases and decreases to the 20BY base for an operating unit. The highest priority change is ranked (1). If it is intended that a program increase in

one area is to be offset by a decrease in another, the changes are ranked with the same priority number. The page number next to each item indicates the page where the detail of the program change begins in the Justification of Program and Performance (Exhibit 12). The activity, subactivity and item descriptors are those used in the justification. The ranking includes a total line for full-time equivalent employment, direct obligations and outlays.

- f. **Summary of Resource Requirements (Exhibit 5)** This schedule is included for each account in which direct obligations will occur in any year covered by the budget. It consists of two sections.
- 1) The first section tracks FTE, positions, direct obligations, budget authority and appropriations from the 20CY President's budget to the Bureau's 20BY estimate. (For Bureaus with identical amounts for direct obligations, budget authority, and appropriations, the first section of the exhibit can be simplified to show only budget authority.) The section includes:
 - The President's Budget, 20CY is the amount included in the President's 20CY budget, adjusted for any amendments which have been officially submitted to the Congress.
 - Adjustments-to-base (ATBs) include uncontrollable cost changes.
 - 20BY base is the 20CY President's budget plus adjustments-to-base.
 - 20BY program changes represent the net amount requested above or below the 20BY base.
 - 20BY estimate represents the resources requested for 20BY and is the total of the 20BY base plus the 20BY program changes.
 - 2) The second section of the exhibit provides a comparison by activity. It summarizes by budget activity and subactivity the total FTE, positions, budget authority, and direct obligations related to the following columns:
 - 20PY Estimate
 - 20CY President's Budget
 - 20BY Base
 - 20BY Estimate
 - Increase / (Decrease) over 20BY Base

Additionally, any adjustments such as transfers, financing from prior years, fee collections, etc., should be included in the Adjustments to Obligations section.

The detail by activity and subactivity should be identical to the 20CY President's budget appendix unless a restructuring is proposed and an Activity/Subactivity Change Crosswalk, Exhibits 18 for 20CY or for 20BY, are submitted or the

Office of Budget has approved a variation from the appendix detail.

- g. **Summary of Reimbursable Obligations (Exhibit 6)** This exhibit displays reimbursable obligations in the same format as the comparison by activity section of Exhibit 5.
- h. **Summary of Financing (Exhibit 7)** This is the same format as the Adjustments to Obligations section of Exhibit 5 but with the addition of lines for reimbursables and other offsetting collections. If there are no offsetting collections this exhibit should be excluded.

Exhibit 7 shows the relationship between total direct obligations and the budget authority and appropriation requested for 20PY, 20CY President's budget, 20BY Base and 20BY estimate. The increase/(decrease) column will show the difference between the 20BY base and the 20BY estimate. The appropriation line reflects the effect of transfers.

This schedule is prepared on the assumption that all resources are expended in the year in which they become available, unless there has been a policy decision to the contrary or, in the case of the budget year, a proposal to the contrary.

Unobligated balances in 20CY and 20BY therefore, appear on this exhibit only as a result of policy decisions or budget year proposals.

- i. **Adjustments-to-Base (Exhibit 8)** This exhibit summarizes by item the budget authority and FTEs required for each adjustment-to-base (ATB). The ATBs are categorized by transfers, adjustments, financing, and other cost changes. A description of each of these categories is given in the next section. In order to qualify as an ATB, an increase or decrease must meet the following criteria:

- represent the cost of the same level of effort as in 20CY;
- result from actions outside the control of Bureau management;
- be supported by specific documentation that provides a basis for the estimates; and
- be known, not probable, cost adjustments (i.e., a request for an ATB for increases in per diem rates should not be requested unless GSA has published new rates with an effective date).

Each spring, the Department's Office of Budget, Budget Coordination and Reports Division (BCRD), will issue annual guidance to aid in the development of the ATBs for the budget year. Included will be economic assumptions, standard benefit contribution rates, and information regarding other adjustments.

- j. **Justification of Adjustments-to-Base (Exhibit 9)** This exhibit details and justifies the amounts requested on Exhibit 8. Assumptions about factors such as retirement plan participation rates, health insurance costs, and life insurance costs

are consistent throughout the explanations.

In the next sections, the most common ATBs are discussed. The format of this material includes general guidance, followed by a sample standard narrative to be used by Bureaus.

In computing ATBs, Bureaus should use whole dollars to calculate all adjustments and round to thousands of dollars to determine the ATB. If a calculation comes out to exactly .5, round to the nearest even number. For example, 7.5 (or \$7,500) would be rounded to 8 (or \$8,000), while 6.5 would be rounded to 6. Calculated rates should be rounded to three decimal points, (i.e., .051 or 5.1%). Rates provided by external sources will not be rounded.

ATBs should be based on the object class distribution provided in the 20CY congressional budget. Requests for realignments must be submitted to and approved by BCRD in advance of the Secretarial budget submission. It is suggested that Bureaus calculate standard ATBs using electronic spreadsheets (see Worksheets tab) available from BCRD. This will ensure consistency among all Bureaus and also facilitate the preparation and review of these cost changes. These worksheets should be submitted as backup to the request. Other ATB increases requested must be thoroughly justified as to why they are uncontrollable and include the supporting documentation used in developing the estimates.

i. Transfers - Justifications for transfers must identify the Bureaus and accounts involved in the transactions. They must also state the reason and the purpose of the transfer. Documentation implementing the transfer, such as a signed memorandum of understanding, should be forwarded as back-up.

Narrative example: Pursuant to a memorandum of understanding dated January 2, 20PY, one FTE and \$31,000 will be transferred to Salaries and Expenses, General Administration, to provide support for the financial management system.

ii. Adjustments - Adjustments will include uncontrollable cost changes unique to specific Bureaus. Examples of ATBs in this category are non-recurring items requested in the 20BY budget and adjustments due to OMB action. One example of an OMB action that may require an ATB is a reduction to the 20CY request based on anticipated recoveries of prior year obligations. A Bureau may need to restore this reduction to the budget authority request to maintain the same program level.

Narrative example: Funds of \$57,000 requested for 20CY data processing activities will not be required in 20BY. In 20CY, the budget authority request was reduced by \$1,000,000 based on offsets from anticipated recoveries of prior year

obligations in FY 20CY. This ATB would restore the reduction in FY 20BY, maintaining the approved program level.

iii. Financing - This category would identify financing of the proposed funding level from funds other than the general fund or a special fund. Examples are new fees and estimated 20BY recoveries of prior year obligations. These estimates would be reported as reductions to the requested budget authority.

Narrative example: In 20BY, this Bureau expects to realize recoveries of prior year obligations of \$1.5 million. This amount will be used to offset the budget authority in 20BY.

iv. Other Changes

(a) Pay Raises - Bureaus should include the cost of annualization of 20CY pay raises.

Narrative example: Full-year cost of the 20CY pay increase and related costs. The 20CY President's budget assumes a pay raise of 3.6% to be effective January 1, 20CY.

In addition, OMB Circular A-11 requires that estimates of 20BY pay raises in budget submissions be tied to the Employment Cost Index (ECI)-based national schedule adjustment and locality pay. The rates will be applied to the General Schedule, Foreign Service, Executive Schedule, the Senior Executive Service, and wage grade employees. These rates will be published by OMB and will be provided as part of the annual ATB guidance. Calculations of the pay raise may need revisions during the budget process based on revised OMB assumptions. The "A" Worksheets provide the format for computing pay raises.

Narrative example: A general pay raise of 3.9% is assumed to be effective January 1, 20BY.

(b) Full-year cost in 20BY of positions financed for part-year in 20CY - Estimates for program changes that include additional personnel normally assume a delay in filling the new positions. That is, if a program increase requires four new people, cost estimates are based on the assumption that the four people will not start on October 1, 20BY, but on January 1, 20BY, due to the timing of the enactment of appropriations and personnel being hired and brought on-board. This would result in a 25% lower FTE usage in the initial year than subsequent years. The funding of this 25% increment in the second year is the annualization of the new positions and is treated as an ATB. The full-year amount is adjusted by a standard 5% lapse rate. Bureaus should also include an adjustment to salaries to reflect the 20BY pay raise. See Worksheet B for more specific instructions and back-up format.

Narrative example: An increase of \$57,189 is required to fund the full-year cost in 20BY of positions financed for part-year in 20CY. The computation follows.

(c) Within-grade increases - Within-grade increases reflect the net cost of such increases that will be earned in 20BY. The salaries requested for within-grade increases reflect the amount of step increases scheduled less the amount that will not be earned because of turnover. The cost of step increases lost due to turnover also reflects the average step above step 1 of the personnel not receiving step increases because of separation. This average step should be based on data from personnel reports. Bureaus should compute a turnover rate based on 24 months of data (April 20PY-2 through March 20PY) obtained from the Monthly Report of Federal Civilian Employment (Standard Form 113-A). See Worksheet C-1 for computing turnover rates.

Salaries used in the computations should reflect the 20BY pay rates. The gross estimated number of step increases should be based on data from personnel reports indicating next dates of eligibility for each employee. As an alternative, Bureaus may use a standard model (see Worksheet C2) to estimate the number of within-grade increases scheduled to be earned. Data used in this model may be obtained from personnel reports provided with the ATB annual guidance.

Cost increases for benefits are limited to those items which necessarily increase with a pay increase such as the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), Thrift Savings Plan (TSP), Old Age, Survivors and Disability Insurance (OASDI), Medicare and life insurance. Health benefit costs do not increase with pay, therefore, they should not be included in computations. Estimates for benefits should be based on 20BY rates. Worksheet C-3 provides the format for the calculation of this ATB.

For those Bureaus under pay banding, the average rate over the preceding five-year period of within-grade increases to total salaries will be used to calculate the 20BY ATB.

Narrative example: An increase of \$31,975 is required to cover the cost of within-grade step increases.

(d) Changes in compensable days - Not all fiscal years have the same number of compensable days. When the budget year differs from the current year, the cost change would require an ATB. OMB Circular A-11 includes a table with the number of compensable days over a seven-year period. (See the section on Estimating Employment Levels, Compensation, Benefits, and Related Costs.) The number of compensable days in FY 2004 is 262, one more than 2003. FY 2005 has 261; FYs 2006 and 2007 have 260. Therefore, ATBs for a change in compensable days will be requested for 2004, 2005, and 2006.

The ATB is calculated by dividing the applicable personnel compensation and benefits for the current year by the number of compensable days in that year. If in a future year, there should be a difference of two compensable days, the above result would be multiplied by two. Include in the calculation, costs that vary with the number of compensable days, such as salaries, retirement contributions, TSP, OASDI, Medicare, and life insurance. Exclude costs that do not vary with the number of compensable days, such as the cost of other personnel compensation (overtime, SES performance awards, cash awards, health benefits, and the Employees' Compensation Fund). Overtime may only be included if it is a significant portion of personnel costs and is a continuing requirement for executing routine duties. See Worksheet D for format of calculations.

Narrative example: The increased cost of one more compensable day in 20BY compared to 20CY is calculated by dividing the 20CY estimated personnel compensation (\$6,708,000) and applicable benefits (\$791,000) by 261 compensable days. The cost increase of one compensable day is \$28,732.

(e) Civil Service Retirement System (CSRS) - Prior to January 1, 1984, most employees were covered by CSRS. On that date, the Federal Employees' Retirement System was implemented covering all new employees. Hence, as new employees are hired, the number and percentage of employees under CSRS decline. The decreased cost of employer contributions for CSRS is treated as an ATB and is the difference between the estimated cost of such contributions in 20CY and 20BY. Estimates for both years are based on total salaries subject to retirement; the CSRS participation rates (percentage of such salaries under CSRS); and the employer contribution rates. Salaries subject to retirement will be based on estimates provided in the 20CY Congressional budget. The 20CY participation and contribution rates used in the calculations will be the percentages shown in the 20CY Congressional budget. For 20BY, OB will issue annual guidance providing the projected participation rates for each Bureau. The CSRS contribution rates are set by law and will be included in the annual ATB guidance.

Narrative example: The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 62.5% in 20CY to 61.7% in 20BY for regular and foreign service employees and from 90.9% in 20CY to 82.8% in 20BY for law enforcement employees. Contribution rates will remain the same.

(f) Federal Employees' Retirement System (FERS) - This ATB reflects the

increasing cost of employer contributions for the Federal Employees' Retirement System. The adjustment is the difference between the 20CY and 20BY costs of such contributions. Estimates for both years are based on the total salaries subject to retirement costs; the percentage of such salaries anticipated to be subject to FERS contributions; and the rate for employer contributions. Salaries subject to retirement will be based on estimates provided in the 20CY Congressional budget. The 20CY percentage subject to FERS is the percentage shown in the pending 20CY budget request. The 20BY percentage equals the participation rate developed by the OB and provided to Bureaus. The Office of Personnel Management (OPM) is required by law to maintain FERS on a fully-funded basis. OPM uses periodic actuarial studies to determine funding levels necessary to maintain the viability of the system and adjusts contribution rates accordingly.

Narrative example: The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 37.5% in 20CY to 38.3% in 20BY for regular and foreign service employees. The estimated percentage of payroll for law enforcement employees covered by FERS will increase from 9.1% in 20CY to 17.2% in 20BY. The contribution rate for regular employees will decrease from 13% in 20CY to 12.9% in 20BY. For foreign service employees, the contribution rate will increase from 21.86% in 20CY to 25.20% in 20 BY. The contribution rate for law enforcement employees will remain the same.

(g) Thrift Savings Plan (TSP) - Employees covered under CSRS and FERS may participate in TSP, a tax-deferred savings plan. CSRS employees may contribute to this plan at no cost to the Government. For FERS employees, the Government is required to contribute a minimum of 1% but no more than 5% of each employee's salary, determined by the amount of the employee's contribution. The exact percentage will vary based on each employee's contribution. Estimates of TSP are based on salaries subject to FERS retirement, FERS participation rates, and the Bureau's contribution rate. The first two factors will be based on the

FERS computations (discussed in the above paragraph). For the contribution rate, 2% has been the standard rate used by most Bureaus. However, Bureaus may use actual payroll data to develop a more accurate rate, but must submit supporting documentation as back-up.

Narrative example: The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.

(h) Old-Age, Survivors and Disability Insurance (OASDI). Estimates are based on the percentage of total salaries subject to FERS; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate. The percentage of total salaries subject to FERS will be based on the FERS ATB calculations. The salaries subject to OASDI contributions are capped each year by law. As the cap is raised, the relevant percentage increases. Bureaus will need to compute the percentage of salaries under FERS at or under the cap. The employer contribution rate will be included in the annual ATB guidance. The second part applies to those Bureaus having employees with salaries not subject to retirement contributions (i.e., temporary or intermittent employees). The estimate is based on the difference between total salaries and salaries subject to retirement contributions; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate.

Narrative example: As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$82,800 in 20CY to \$87,750 in 20BY. The OASDI tax rate will remain 6.2% in 20BY.

(i) Health Insurance - Health insurance is an optional benefit. Employees can elect not to participate or can choose among a wide range of plans and coverages. The cost estimate of employer contributions for health insurance varies widely depending on the health plans chosen by employees. To develop the ATB for health insurance, Bureaus should compare the average health insurance cost per person before and after the annual rate increase in January. The percentage difference between the two would be applied to health costs reflected in the 20CY Congressional budget. See Worksheet E for format of computation.

Narrative example: Effective January 20PY, this Bureau's contribution to Federal employees' health insurance premiums increased by 10.7%. Applied against the 20CY estimate of \$366,000, the additional amount required is \$39,162.

(j) Travel - When the General Services Administration (GSA) increases/decreases mileage and/or per diem rates, Bureaus should request the

cost increases as ATBs decreases. For mileage rate increases, the GSA rate increase would be applied against the mileage estimate in the 20CY Congressional budget to arrive at the ATB. ATB requests for per diem increases should be based on each Bureau's historical pattern of visited sites. The specific locations and the frequency of the trips should be considered. Based on these data, each Bureau would compute an average rate increase and apply it to the per diem estimate in the 20CY Congressional budget. See Worksheet F for the format of the per diem ATB computation.

Narrative example: Effective September 20PY-1, the General Services Administration raised the mileage rate from 32.5 cents to 34.5 cents per mile, a 6.2% rate increase. This percentage was applied to the 20CY estimate of \$31,000 to arrive at an increase of \$1,922.

Effective January 20PY, the General Services Administration raised per diem rates. This increase results in a 3.9% increase to this Bureau. This percentage was applied to the 20CY estimate of \$117,000 to arrive at an increase of \$4,563.

(k) Rental Payments to GSA - Each spring or early summer, the Department receives rate packages for GSA-controlled space. These packages are forwarded to each Bureau's space management staff for determining GSA costs for 20BY. The packages include proposed 20BY GSA rates and current square footage of each Bureau's location. Based on these data, space management staffs develop base estimates for GSA rent. Budget staff should contact that office for the estimated rent payment and request the increase or decrease over the 20CY estimate included in the 20CY Congressional request as an ATB.

If the estimates from this package are not prepared in time for inclusion in the Secretarial budget, Bureaus should use the interim average rate increase provided in the ATB guidance. However, this is only to be used until the estimates have been finalized using the GSA rate packages. At that time, Bureaus amend their requests to reflect the revised estimate.

After enactment of the 20CY appropriation and receipt of the OMB 20BY final allowance, rent estimates for both years may need revision. Budget and space management staffs should cooperate in developing the estimates for inclusion in the 20BY Congressional budget.

Narrative example: GSA rates are projected to increase 2.9% in 20BY. This percentage was applied to the 20CY estimate of \$1,618,000 to arrive at an increase of \$46,922.

(l) Postage - When the Postal Service implements changes in postage rates,

Bureaus should request the cost increases as ATBs. The rate increase would be applied against the postage estimate in the 20CY Congressional estimate to arrive at the ATB.

Narrative example: Effective February 20PY, the Postal Service implemented a rate increase of 16%. This percentage was applied to the 20CY estimate of \$85,000 to arrive at an increase of \$13,600.

(m) GPO Printing - Annually, GPO provides an estimate of the rate increase of printing costs. Bureaus should apply this rate against the estimate included in the 20CY Congressional budget to compute the ATB.

Narrative example: GPO has provided an estimated rate increase of 1.5%. This percentage was applied to the 20CY estimate of \$108,000 to arrive at an increase of \$1,620.

(n) Working Capital Fund, Departmental Management -Bureaus should use the allowance provided by the Department.

Narrative example: An additional \$1,000 is required to fund cost increases in the Departmental Management's Working Capital Fund.

(o) General Pricing Level Adjustment - Bureaus may apply the most recent OMB non-pay Federal deflator to the 20CY Congressional estimates for transportation of things, rental payments to others; communications, utilities, and miscellaneous charges (excluding postage); other contractual services (excluding CAMS and WCF), supplies and materials, and equipment to cover increases due to inflation.

Narrative example: This request applies OMB economic assumptions for FY 20BY to object classes where the prices the Government pays are established through the market system. Factors are applied to transportation of things,(\$0), rental payments to others (\$0), communications, utilities and miscellaneous charges (excluding postage) (\$1,314); other contractual services (\$77,184); supplies and materials (\$1,476) and equipment (\$4,914).

k. **Program and Performance: Direct Obligations (Exhibit 10).** This schedule displays the direct obligations and full-time equivalent employment associated with the line items within each subactivity. Where header strips for each item in this exhibit and the next one are brief, they may be followed on the same page by the start of narrative information, to avoid wasting space.

l. **Program and Performance: Reimbursable Obligations (Exhibit 11)** Only

include if a Bureau has line items more detailed than in Exhibit 6. This schedule displays the reimbursable obligations and full-time equivalent employment associated with the line items within each subactivity.

- m. **Justification of Program and Performance (by subactivity), (Exhibit 12)** The justification covers every subactivity for which direct obligations will be incurred or FTE used in any year covered by the budget. Column headings will be identical to those found in the "Summary of Resource Requirements." The justification includes the following subjects, each under a separate heading. Each header is centered.

(i) **Goal Statement** - Each base program narrative begins with a brief statement of the subactivity's goals. The goal is a one or two sentence description that links to a specific measure of program impact previously described in the executive summary.

(ii) **Base Program** - The base program narratives describe each of the operating unit's subactivities in detail, and they provide a framework for assessing whether resources are being used efficiently and effectively. The program narratives provide supporting information about line items to further explain the work performed in each subactivity.

(iii) **Statement of Operating Objectives** - The next section presents the subactivity's objectives for the budget period. These objectives set targets for the specific work that will be performed in pursuit of policy objectives. They establish deadlines for achieving reorganizations, and they attempt to forecast when the benefits will be obtained. They define the expectations for the benefits to be derived from new technologies and initiatives.

(iv) **Explanation and Justification** - This section describes the subactivity's operations and services. It briefly describes the work carried out within the line items. It reveals which of the operating unit's organizations participate in the subactivity's operations. It explains what they do. It describes the field structure of the organizations, the characteristics of the client population, or any other facts needed to explain the nature and amount of work performed within the subactivity. It identifies major trends or other forces that can be expected to influence the subactivity during the budget period.

This section also explains the relationship between the subactivity's work and the operating unit's program impacts. It cites any evidence that measures the benefits of the subactivity's work or the contribution its work makes to the mission of the operating unit. It lists any factors that impede the measurement of the work's benefits and contributions.

Finally, it explains any alternative means of achieving equivalent benefits. It

indicates whether private sector alternatives to its operations exist. It also mentions any other government programs that provide similar or competing services. It describes why such alternative service delivery options are unsatisfactory.

(v) Measures of Performance (all sources of funding) - This section forecasts changes in the level of services and operations of the subactivity. Its purpose is to illustrate trends in the level of the subactivity's work. It presents performance forecasts that compare to the performance level proposed in the previous President's budget. It contains supporting narrative necessary to define and explain the performance measures and is consistent with the Bureau's performance plan. The performance measures section of the base narrative should contain all performance measures associated with each subactivity line item.

(vi) Proposed Legislation - The justification highlights all requirements for new authorizing legislation. Included are requirements for extension of existing legislation as well as any legislative proposals for lapse or repeal of existing legislation. A description of the proposed legislation should describe the new legislation in detail and justify the need for it. This section of the justification serves as the basis for the Departmental legislative package proposal.

- n. **Program Change for 20BY (Exhibit 13)** The program change exhibit and its accompanying narrative are designed to provide a Departmental analyst sufficient information to understand what the operating unit is proposing and to determine whether the change is justified. The program change exhibit describes and lists substantive departures from the resource levels included in a subactivity's 20BY line item base. Program changes are defined as increases, decreases, or substantive changes without resource effects. The heading for this exhibit reads "Increase(s)," "Decrease(s)," or "Changes," as appropriate. The description of each change starts on a separate page.

Summary -

- (i) The program change exhibit and narrative begin with a summary line that indicates the line item that would be affected by the program change. It also shows the affected line item's base resource level, the 20BY estimate that includes the effects of the change, and the incremental amount of the program increase or decrease. Following the base resources summary line, in a separate paragraph, is a summary description of the change with its short title underlined. (The short title is followed by the incremental amount of the change, in full-time equivalent employment and in dollars.)

- (ii) Program Change Explanation and Justification - Following the summary description, if appropriate, describe specific components of the initiative and how the resources will be used. Do include a detailed discussion of past program performance and impact to current performance measures if funded. Especially important are those outcome oriented measures which indicate how the initiative impacts the economy (jobs, exports, etc.). Additionally, the initiative should also be put in the context of the Department's Strategic Plan by discussing which strategic themes and goals are supported. This discussion would be consistent with the Bureau's performance plan.
- (iii) Performance Measures - Following the program change narrative is a table of the Bureau's performance measures impacted by the initiative. The table reflects the budget year and outyears. These performance measures must be consistent with the measures in the base narrative and in the Bureau's performance plan. If the Bureau is unable to determine how the initiative impacts current Bureau performance measures, the initiative may be subject to denial.
- (iv) Costs - Following the Performance Measures table is a summary table of the program change's resource affects in the budget year and the outyears. All outyear resources are expressed in 20BY dollars. If appropriate, estimated cost increases for outyear changes are shown on the Outyear Bridge Table (Exhibit 21).

Resource requirements for program increases are sorted according to whether or not they are capitalized. Capitalized resources are defined as those used to acquire goods or services that will remain available beyond the fiscal year in which they are acquired or first placed in service, whichever is later. As a general rule, capitalized resources fall into three object classes, as defined by the Office of Management and Budget in Circular A-11: other services (25.0), equipment (31.0), and land and structures (32.0). Not all resources in these object classes are necessarily capital resources, however. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, clarify the assumptions used to distinguish between capitalized and uncapitalized resources. For additional reporting requirements for requests for capital assets, refer to Chapter III, Section 1.

The summary table also displays the initiative's budget authority, outlays, and FTE in the budget year and the outyears. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, indicate those program change proposals where the life-cycle costs and benefits would not fully accrue during the period 20BY through 20BY+4. All such footnotes define the full life-cycle of the program change.

- o. **Program Change Personnel Detail (Exhibit 14)** This exhibit provides the basis for the estimate of personnel compensation for each program change requested. It includes the title and grade of each position and the number of positions requested for each. Salary figures reflect the 20CY rates at Step 1 of each grade for program increases. An adjustment for the 20BY pay raise to total salaries is

shown on one line entry. For program decreases, the current grades and steps for all positions to be eliminated are shown.

For program decreases, a positive amount for benefits to former personnel is usually included when eliminated positions are not picked up elsewhere. Estimates for salaries for program increases assume that new positions are filled no sooner than the beginning of the second quarter of the year. Such estimates, therefore, reflect no more than 75 percent of the full year cost of new positions.

- p. **Program Change Detail by Object Class (Exhibit 15)** This exhibit shows the object class detail for each program change requested. The table includes all major object classes even if no funds are required for some.
- q. **Summary of Requirements by Object Class (Exhibit 16)** This exhibit is included for each account in which direct obligations will occur in any year covered by the budget. The Increase/(Decrease) column compares the 20BY Estimate to the 20BY Base. The total 20BY increase/decrease of all Exhibits 15 should equal the total increase/decrease column on the Summary of Requirements by Object Class, Exhibit 16. For more information on object classification, refer to OMB Circular A-11.
- r. **Detailed Requirements by Object Class (Exhibit 17)** This exhibit follows the same format as the Summary of Requirements by Object Class (Exhibit 16), but provides more detail for the object classes. If other detailed categories are necessary, they may be included. The level of detail in the sample exhibit is the minimum level of detail required. For more information on object classification, refer to OMB Circular A-11.
- s. **Activity/Subactivity Change Crosswalk (Part I - CY Structure) (Exhibit 18)**
If no changes are proposed to appropriation or activity structure, this exhibit is not required.

If a change to appropriation or activity structure is proposed, this exhibit should be included displaying the budget request in terms of 20CY's Presidential budget structure and the proposed new structure.

The crosswalk displays the 20BY total direct obligations request in the activity/subactivity structure from the 20CY Congressional justifications. It indicates the changes being proposed for 20BY and accounts for all subactivities. If no changes are proposed for a subactivity, it indicates "No change" under the "Proposed Changes" section of the table.

- t. **Activity/Subactivity Change Crosswalk (Part II - BY Structure) (Exhibit 19)**
This crosswalk displays the activity/subactivity structure proposed for 20BY and redistributes total direct obligations amounts for 20PY-2 to 20BY in terms of the

new structure. The amounts shown in the 20BY column reconcile to the changes proposed in Exhibit 18. The amounts shown in all Exhibits 19 reconcile to Exhibit 18.

- u. **Summary of Outyear Changes Requested (Exhibit 20)** This table summarizes the requests for program changes and other adjustments in the budget year that will affect years 20BY+1 through 20BY+4. To ensure consistent starting points for the analysis and use of information in this table, it starts with a base program row, and includes rows for program changes; pay raises and estimated cost changes.

Program Changes - Listed here are annualization of 20BY program changes and other outyear program changes justified in the body of the narrative that involve changes in any of the years 20BY+1 through 20BY+4. Amounts are stated in terms of changes from the 20BY base. A program change which involves \$750,000 in 20BY and \$1 million in 20BY+1, for example, is shown here as \$1 million for 20BY+1.

Other Adjustments and Anticipated Cost Increases - Also listed and explained are all other adjustments. In addition, the table displays the anticipated cost increases that derive from calculations made in the Outyear Bridge Table (Exhibit 21).

- v. **Outyear Bridge Table (Exhibit 21)** This table is designed to demonstrate the effects of outyear changes and anticipated cost increases on total direct obligations and budget authority for 20BY+1 through 20BY+4.

Shown are all requests for program changes and other adjustments by the following categories:

- **Pay-related** - includes personnel compensation and benefits to current and former employees; Object classes 11, 12, and 13. It should also include annualization of 20BY program changes, adjusted for the pay raises for each year. Separately identified in this section are the pay raises based on the 20BY base.
- **Grants** - includes all forms of financial assistance to state and local governments. It does not include grants to or cooperative agreements with non-government entities (appropriate portions of object classes 25.0 or 41.0).
- **Construction** - This includes Federal construction programs, rental payments to GSA, and rental payments to others (object classes 23.1, 23.2 and the building construction portion of 32.0).
- **Non-pay Federal Purchases** - This includes all remaining obligations.

The totals for program changes and other adjustments are consistent with those provided in the table, "Summary of Outyear Changes Requested". Amounts on

this exhibit, however, are stated in terms of changes from the 20BY request. A program change which involves \$750,000 in 20BY and \$1 million in 20BY+1, for example, is shown here as \$250,000 for 20BY+1.

Outyear pay raise calculations must be performed to complete this table. See worksheets A-1 thru A-6. Compare the summary page, A-6, to the pay raise sections of the outyear bridge table.

Anticipated cost increases are projected, normally on the basis of various measures of inflation provided by OMB. Inflation percentages are provided in the ATB guidance. Updated figures may be provided by OMB at the Mid-session Review. OMB Circular A-11 provides a further discussion of adjusting for anticipated cost increases on the basis of future inflation.

Since the body of the table displays direct obligations, "financing" here refers to resources other than offsetting collections. "Financing" represents the difference between direct obligations and budget authority, for example, recoveries, transfers of budget authority or budget authority carried forward.

- w. **Outlay Analysis Table (Exhibit 22)** This table provides outlay data for each account in which there are planned or actual outlays in any of the years 20PY through 20BY+4. Normally outlays for an account are projected on the basis of a single set of estimates of the rate at which funds will be outlaid for obligations. These estimates normally take the form of the percentages of a year's obligations for which funds will be outlaid in that year and each succeeding year. These percentages are often referred to as "spendout rates" and should be rounded to the nearest whole number. In cases, however, where programs within a single account have distinctly different spendout rates, such rates are used for projections and the standard table is modified accordingly.

In computing outlay spendout rates, Bureaus should consider the various lengths of time to liquidate different classes of obligations. For example, where payroll obligations are 95% outlaid in the year of obligation, construction obligations could take several years to be liquidated. Therefore, each Bureau should review their different sources of outlays in developing overall spendout rates. As follow-up, estimated outlays should be checked against actual outlays periodically to test their validity. For one-year accounts, a good source is the Treasury Annual Report which details the outlays made during the current year by the fiscal year in which the obligation was made. For no-year accounts, Bureaus will have to rely on internal financial reports for verifying the spendout rates.

Resources Available for Outlay - This column shows all resources available to be outlaid. These resources consist of obligated balances at the start of 20PY and estimated obligations for 20PY - 20BY+4.

For selected revolving funds, where net obligations would be a negative number, the table should use gross obligations to calculate gross outlays and include a line for subtracting the absolute value of offsetting collections to arrive at net outlays. Exhibit 22 (Alternate) provides the format to use for these funds.

Outlays - The spendout rates used are consistent with the 20CY President's budget. If different spendout rates are used, a narrative explanation is provided on a separate page following the outlay table. An explanation is also provided if spendout rates vary from year to year. Some reasons for proposing changes in spendout rates include one-time programmatic events or a consistent variance in the past between actual and estimated outlays.

The total outlays shown in the last column equal the resources available for outlay for each year unless the projected spendout exceeds the number of years available on the table.

If outlay estimates for 20PY and 20CY do not agree with the figures from the 20CY President's budget, an explanation is provided on a separate page.

- x. **Backup Materials - Operating units should omit from their initial OMB submission certain "backup" exhibits from the Secretarial submission and send them separately to the Office of Budget. They are as follows:**

Schedule of Permanent Positions (Exhibit 26) This schedule details permanent positions for each appropriation account which includes personnel compensation and benefits in 20PY through the 20BY estimate. Permanent positions are defined, for the purposes of this exhibit, as those occupied or to be occupied by full-time employees with permanent appointments, including positions established without time limit or for a limited period of a year or more.

An estimate of the number of unfilled positions at the end of the year should be based on actual experience and have a reasonable relationship to end of year employment. The percentage relationship between unfilled positions and total permanent positions for the current year and the budget year should normally be equal to or less than that of the past year.

I. Presentation, Paper Size, Printing, Electronic Submission

Twenty five copies of the budget justification are required by the Budget Coordination and Reports Division of the Office of Budget for distribution within the office and to senior officials.

Presentation All narrative materials are typed single spaced in accordance with the formats provided in the exhibits. The material is to be clear and sharp in order to make good clear copies and contains no penciled additions, deletions or corrections. The Summary of Resource Requirements is printed on salmon-colored paper.

Paper Size All narratives and exhibits are printed in landscape mode on 8 ½ by 11 inch paper.

Exhibit and Page Numbering Each exhibit is numbered according to the established Department of Commerce convention, with "Exhibit XX" shown in the upper right hand corner of the exhibit's first page. Page numbers are preceded by the agency designations shown below. All pages are numbered consecutively within each agency. Page numbers appear in the lower right hand corner. Any changes or corrections made in the pages after the initial submission to the Department are marked "Revised" and dated. For example: DM-1 Revised 06-18-02.

Agency Designations

Departmental Management	DM
Office of the Inspector General	OIG
Economic Development Administration	EDA
Bureau of the Census	CEN
Economic and Statistical Analysis	ESA
International Trade Administration	ITA
Bureau of Industry and Security	BIS
Minority Business Development Agency	MBDA
National Oceanic and Atmospheric Administration	NOAA
Patent and Trademark Office	USPTO
Technology Administration	TA
National Institute of Standards and Technology	NIST
National Technical Information Service	NTIS
National Telecommunications and Information Administration	NTIA

Printing The following instructions are included on the CD-10:

- Three-hole punch
- 3/8" drill to be used
- 4-1/4" center to center
- To be centered on page
- Outside holes to be 1/4 inches from center of hole to edge of paper
- Do not staple
- Print on both sides

A sample for punching is normally attached to the CD-10.

Electronic Submission The Office of Budget may provide electronic formats for Bureau use in submitting budget exhibits. Additionally, specific direction may be provided for Bureaus to submit their entire justifications electronically.

J. Performance and Accountability Report

The Office of Budget oversees the development of the Performance and Accountability Report (PAR) and the five year Departmental Strategic Plan. These documents are required by the Government Performance and Results Act (GPRA).

The Reports Consolidation Act of 2000 requires the combining of the Department's Accountability Report with the Annual Program Performance Report. The Office of Budget (OB) coordinates this effort with the Office of Financial Management (OFM) and the Office of Management and Organization (OMO). OB completes the Performance Report section; OMO completes the Management Discussion and Analysis section; and OFM completes the Financial Report section. The Bureaus are informed of scheduled deadlines and requirements.

The PAR is organized by sections and within the performance section by Bureau chapters. In order to standardize the presentation and content among the Bureau performance chapters, a template is used. This template outlines what information each Bureau chapter must contain. OB provides the templates to the appropriate Bureaus each fiscal year. The Bureaus fill in the template with their respective information and submit their chapter to the Office of Budget at the end of the fiscal year.

The Bureau chapters contain the following information:

- A. Summary Information
 - i. **Mission Statement** Broadly states what the Bureau seeks to accomplish. For example the Census Bureaus mission statement is "To be the preeminent collector and provider of data about the people and economy of the United States".
 - ii. **Introduction** Describes what the Bureau does. This may include discussing what products the Bureau produces and how they are used or who the Bureau assists. This section should address the public benefits provided by the Bureau.

- iii. **Priorities/Management Challenges** Describes the Bureau's major priorities for the respective budget year associated with the PAR. This section also addresses any management challenges encountered during the performance reporting year and how these challenges will be addressed. Additionally, this section should cover any management challenges that the Bureau expects to encounter in coming years and how it plans to address those challenges.
- iv. **Performance Results** Describes overall Bureau performance during the program reporting year. The Bureau should discuss results in terms of performance goals as much as possible and provide a summary of how well the Bureau performed. Significant failures to meet goals should be addressed along with a discussion of how those failures will be dealt with in the current and planning years.
- v. **Targets and Performance Summary** A table displaying and summarizing all of the Bureau's performance goals and associated measures and targets. Targets are displayed for the performance reporting year. Actual data are displayed for the four years prior to the reporting year to provide a historical trend.
- vi. **Resource Requirements Summary** A table displaying all resources available to the Bureau to achieve its stated goals and measures for the current reporting year and the previous four years. These dollar figures represent obligations by performance goal. Funding amounts within each performance goal are further broken down by the Bureau's program accounts and activities as cited in the Budget in Brief. Information technology (IT) funding amounts and FTE amounts are also displayed for each performance goal. A grand total section summarizes all Bureau resources by account and activity, along with separate lines for direct, reimbursable, and IT funds, and FTE amounts.
- vii. **Skill Summary** Describes the skills the Bureau requires in order to achieve its mission and performance goals. Skills include the expertise of specific occupations (i.e. economists, accountants, statisticians) or for personnel with specialized knowledge of certain laws or regulations (i.e. knowledge of international and domestic trade laws and regulations).
- viii. **IT Requirements** Describes the information technology needed by the Bureau to achieve its performance goals. These can be specific IT systems that are currently used in the collection and processing of the performance data or broadly reference types of IT systems or technologies (i.e. management information systems or developing integrated public information dissemination technologies).

B. Performance Goal Section

Following the general information sections described above, Bureaus must provide detailed information about each performance goal and its associated performance measures. For each performance goal, the following sections are required:

- i. **Performance Goal # (insert name of performance goal)** Performance goals are numbered and displayed after the number of the performance goal. These should correspond to the "Targets and Performance Summary" table described above and to same goal as stated with the APP for that year.
- ii. **Corresponding Strategic Goal** The strategic goal as listed in the DOC Strategic Plan that applied for that reporting fiscal year for the respective Bureau. The Bureau's performance goals must support the Department's strategic goals. Strategic plans do change along with the strategic goals.
- iii. **Rationale for Performance Goal** Describes the fundamental reason or basis of the respective performance goal. How does the goal represent a major activity of the Bureau? Discuss the relevance of the goal in relation to the Bureaus work. Two sub-sections are included in this section:

Results: Discuss the results associated with the performance goal. What was achieved or not achieved and why was it not achieved?

Plans: Discuss any changes to the performance goal from the previous performance plan and the associated reason(s) for the change.

After the rationale for the performance goal, the individual measures associated with the performance goal are cited as follows:

- iv. **Measure #(letter) (insert name of measure)** Measures are numbered with a sub-letter (i.e. Measure 1a). These should correspond to the "Targets and Performance Summary" table described above. Wording should follow that of the APP of the same fiscal year.
- v. **Data Table** After the above, a data table displays the measure's targets for the performance reporting year and the four previous fiscal years. Actual data for all available fiscal years are also provided in this table with associated cells identifying whether targets were met or not met.
- vi. **Explanation of Measure** Describe the performance measure. What is being measured and why is it being measured. The Explanation of Measure section also contains the following one subsection:

FY Program Performance: Explain if the reporting year target was met or not met.

If the target was not met, explain why it was not met and what actions are being taken to ensure the target will be met in future years. If the target was exceeded significantly, please explain why this occurred. Any other discussion related to program performance is appropriate for this section.

- vii. **Program Evaluation** Include a summary of the findings and recommendations of the program evaluations completed pertaining to the performance goal. Program evaluations may cover assessments of the manner and extent to which programs achieve intended objectives, assessments of program implementation policies, practices and processes, or summarized findings and recommendations from other analyses or studies completed during the previous fiscal year. It should also be noted if no evaluations were completed and why.
- viii. **Data Validation and Verification** At the end of the bureau chapter is a section titled validation and verification. This section describes the means used to verify and validate the measured values of performance. This is displayed as a box with the following sections:
 - Data Source: Where the data are obtained
 - Frequency: How often the data are collected
 - Data Storage: Where the data are stored
 - Verification: Describes how the Bureau is verifying the data for completeness and accuracy
 - Data Limitations: Describes what may impact the data from being complete and reliable
 - Actions Taken: Describes the steps being taken to address any data limitations
- viv. **Electronic Submission** The Office of Budget provides electronic template formats for Bureau use in submitting annual performance plans and reports. Additionally, specific direction will be provided for Bureaus to submit their entire plans/reports electronically.

K. Capital Asset Plan and Business Case (Exhibit 300)

For the Secretarial (and subsequent OMB) submission, appropriate IT staff must complete an Exhibit 300, Capital Asset Plan and Business Case for all new IT budget investments and modifications or enhancements to existing systems, above base funding. An Exhibit 300 is also required for major systems meeting the criteria defined by OMB Circular A-11, Section 300, Planning, Budgeting, Acquisition, and Management of Capital Assets. The level of detail in the Exhibit 300 should be commensurate with the magnitude of the investment. All non-major projects must be described in an Exhibit 300-1, an abbreviated form of the Exhibit 300. For each initiative, also provide a brief, high-level Initiative Summary describing the initiative, the fiscal year budget increase, the life cycle cost, and the budget line(s) providing the funding. A

template of the Initiative Summary appears at the end of this section. Initiative Summaries and Exhibit 300s for new initiatives and those with increases above base funding are required at the same time as the due date of the budget submission. Exhibit 300s for systems without funding increases and Exhibit 300-1s are required by August 1.

IT initiatives must be a product of the operating unit's capital planning and investment control (CPIC) process. As part of the overall budget submission, provide a description of the CPIC process used to evaluate and select this year's investments. This description is due at the same time as the budget submission.

Key areas of the Exhibit 300 business case:

- Adequate resources should be dedicated to IT security to ensure that the operating unit's system and data integrity and continuity of operations are at an acceptable level of risk. A description in the Exhibit 300 of the system's security and identification of the percent of dollars spent on IT security is required as part of the budget submission.
- Enterprise Architecture also requires attention. Answer the architecture questions in the Exhibit 300 completely and carefully. Ensure that the architecture documentation is up-to-date. Revised architectures should be completed by August, in time for the September budget submission to OMB.
- In addition to identifying the sponsor and key members of the project team, the business case should discuss the project management structures, responsibilities, and personnel qualifications that will contribute to the successful achievement of cost, schedule, and performance goals.
- Solid performance measures are a core element in your justification.

The CITRB will review selected IT investment proposals. It will notify project sponsors of the proposals selected and those project sponsors should then prepare a briefing for the CITRB that addresses the criteria shown at the end of this section. The CITRB will evaluate initiatives and make recommendations to the Office of Budget during the budget review process. Presenters should provide a copy of the briefing charts to the CIO's office at least two days before the scheduled presentation. Office of the CIO staff, supported by acquisition, budget, and other staff, will evaluate initiatives that are not presented to the CITRB. Recommendations from this review process will also be provided to the Office of Budget. The CIO will notify project sponsors of the date for their briefings.

Evaluation Criteria

1. Basis for Investment

- Benefits, tangible and non-tangible, including return-on-investment and benefit-cost analysis.
- Consideration of all the alternatives.
- Support of the operating unit's (OU's) missions, goals, and information quality standards, including performance measures to assess the value of the investment.
- High rating from internal OU evaluation process.

2. Project Management

- A description of how the project will be managed.
- Project plans that cover the full life cycle of the project.
- Performance measures to assess the management of the project, including measures of cost, schedule, and performance. A system to monitor these measures and report on deviations.
- The experience of the OU with projects of this size, scope, and complexity.

3. Risk Management

- Key project risks and a description of how they will be mitigated, addressing the technical solution and use of a modular approach.
- A description of how the acquisition strategy will manage procurement risks and address accessibility.
- Support of the OU's information quality standards.
- Use of commercial-off-the-shelf products.

4. IT Security

- A description of how the project is compliant with the DOC and the OU's IT Security Program.
- The baseline IT security management, operational, and technical controls necessary to protect the project investment, and the supporting risk and benefit/cost criteria for selection of the controls.
- The status of continuity of operations planning, documentation, and testing.
- A description of Critical Infrastructure Protection applicability to the project and the relative priority of the project investment to the Department's mission.

5. Architectural Compliance

- Demonstration of how the project is compliant with the OU's IT architecture and technical reference model and the Office of Management and Budget's Business Reference Model.
- Integration of this system with others at Commerce and Government-wide to promote efficiency, connectivity, and economies of scale.
- Use of commercial-off-the-shelf products.
- Support for the OU's information quality standards, including reproducibility.
- Steps taken to address accessibility.
- Actions taken to implement the Government Paperwork Elimination Act, if applicable.

6. Administration/Departmental Goals and Initiatives

- Support for Administration, Office of Management and Budget, Secretarial, and/or Departmental initiatives, including e-government.